

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 JUSE-00 AF-10 ARA-10 EA-10 EUR-12 NEA-11
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P 221824Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 9973
INFO AMEMBASSY STOCKHOLM

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USMTN

ACTION STR
PASS AGRICULTURE
STR PASS CODEL

E.O. 11652: N/A
TAGS: MTN, ETRD
SUBJECT: STATUS OF US AGRICULTURAL REQUESTS: SWEDEN

REF: GENEVA 5873

1. US-SWEDISH BILATERAL APRIL 13 (REFTEL) PROVIDED MTN
DEL WITH SOME INDICATION OF POSSIBILITIES/DIFFICULTIES
RELATIVE TO U.S. REQUESTS OF SWEDEN. THIS CABLE RE-
PRESENTS PRESENT MTN DEL ASSESSMENT OF US AGRICULTURAL
OPPORTUNITIES IN SWEDEN.

2. GENERAL: NOT SURPRISINGLY, SWEDEN IS MUCH MORE
INCLINED TO OFFER TARIFF REDUCTIONS THAN TO MODIFY
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VARIABLE LEVIES. AS A RESULT, POSSIBILITIES FOR LIBERA-
LIZATION ARE MUCH GREATER FOR COMMODITIES SUCH AS FRUITS
AND VEGETABLES THAN FOR SUCH COMMODITIES AS ANIMAL
PRODUCTS, GRAINS, AND RELATED PRODUCTS (E.G. FATS AND
OILS). THE SWEDES HAVE TOLD US THAT THE ELIMINATION OR
BINDING OF LEVIES WERE SIMPLY NOT SUBJECTS FOR DISCUSSION
OR NEGOTIATION. SUCH ACTIONS WOULD REQUIRE CHANGES IN

SWEDEN'S DOMESTIC SUPPORT SYSTEM, CHANGES THE SWEDES SAID THEY WOULD NOT BE WILLING TO UNDERTAKE. ON THE OTHER HAND, THE SWEDES DO NOT APPEAR ADVERSE TO EXAMINING WAYS OF ACCOMMODATING ADMINISTRATIVE OR TECHNICAL MODIFICATIONS WHICH WOULD NOT DISRUPT THE LEVY SYSTEM ITSELF, CASES IN POINT BEING SWEDEN'S OFFER ON THE LEVY COEFFICIENT FOR CANNED POULTRY, AND ITS WILLINGNESS TO CONSIDER SEPARATE TARIFF CATEGORIES FOR NON-SENSITIVE PRODUCTS. IN THE LATTER CASES, HOWEVER, IT IS CLEARLY UP TO THE US, AS FAR AS SWEDEN IS CONCERNED, TO ESTABLISH THAT (1) EX-OUTS (E.G. FOR SUCH PRODUCTS AS HOTEL BEEF, SPECIALTY FLOUR, AND MIXED ORIENTAL VEGETABLES) ARE TECHNICALLY FEASIBLE AND (2) THAT THE PRODUCTS WOULD NOT COMPETE WITH SENSITIVE ITEMS. THEREFORE, FOR SUCH PRODUCTS, WE MUST BE PREPARED TO INDICATE IN TECHNICAL TERMS THE SPECIAL PHYSICAL CHARACTERISTICS OF THE PRODUCTS AND/OR ALTERNATIVE METHODS OF ADJUSTING THE IMPORT SYSTEM TO ACHIEVE THE SAME RESULT AS A SEPARATE IMPORT CATEGORY (E.G. FOR HRI BEEF, ISSUING IMPORT LICENSES ONLY TO HOTELS AND RESTAURANTS). THE QUALITY OF OUR PRESENTATION ON THESE QUESTIONS WILL BE A MAJOR FACTOR IN SWEDEN'S PERCEPTION OF THE SERIOUSNESS OF OUR REQUESTS. IN ANY CASE, IT IS CLEAR THAT ANY CONCESSIONS ACHIEVED WILL BE HARD-WON AND COULD COME AT THE EXPENSE OF OTHER CONCESSIONS.

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3. ASSESSMENT OF POSSIBILITIES BY PRODUCT SECTOR:

(A) ANIMAL PRODUCTS: THE LIKELIHOOD OF ACHIEVING STATED US OBJECTIVES ON LIVE HORSES AND PUREBRED CATTLE IS SMALL. IF ITEMS ARE HIGH PRIORITY, U.S. REQUESTS MAY HAVE TO BE RE-FORMULATED IN SOME WAY TO AVOID DIRECT REQUEST ON THE LEVIES. MTN DEL SUSPECTS THAT OF HIGHEST PRIORITY IN THIS SECTOR IS THE REQUEST FOR AN HRI QUOTA FOR BEEF. MTN DEL BELIEVES THAT SOME TYPE OF ARRANGEMENT IS POSSIBLE BUT THAT SWEDES WILL REQUIRE ANSWERS TO SEVERAL QUESTIONS (SEE REFTEL PARA 3A), AS WELL AS INDICATION THAT ACTION IS A NECESSITY FOR THE AGRICULTURAL PACKAGE.

THE OFFER TO LOWER AND BIND THE COEFFICIENT FOR CALCULATING THE LEVY ON CANNED POULTRY IS EVIDENTLY THE PRIDE OF THE SWEDISH OFFER TO THE U.S. SWEDEN FEELS THAT THE OFFER RESPONDS TO PREVIOUS US REPRESENTATIONS. U.S. MUST DECIDE WHETHER TO CONTINUE PRESSING CURRENT U.S. REQUEST OR WHETHER TO FOCUS ON IMPROVEMENT IN SWEDISH OFFER (I.E. REDUCE COEFFICIENT EVEN FURTHER). SWEDISH DEL COULD NOT PROVIDE SATISFACTORY JUSTIFICATION EITHER FOR HAVING MADE NO OFFER ON PET FOOD, OR FOR THE REASON BEHIND THE

NECESSITY OF A VARIABLE LEVY. MTN DEL BELIEVES THAT
DESPITE THE LEVY AN OFFER MAY BE POSSIBLE BUT THAT ARGU-
MENTS WILL BE REQUIRED CONCERNING BENEFITS TO THE U.S.
IN LIGHT OF OUR NUMBER TWO SUPPLIER POSITION AND OUR
OVERALL PRIORITIES.

(B) FRUITS AND VEGETABLES: THE SWEDES INDICATED THAT A
SPECIAL INTERNAL EXAMINATION OF THE HORTICULTURAL INDUSTRY
IS NOW TAKING PLACE, EVIDENTLY APART FROM THE MTN, AND
SUGGESTED THAT SOMETHING MIGHT BE DONE WITHIN THIS CONTEXT
ON CERTAIN U.S. REQUESTS (ICEBERG LETTUCE, DEHYDRATED
ONIONS AND POTATOES, AND POTATO FLOUR). THIS REVIEW IS
NOT EXPECTED TO BE COMPLETED BEFORE AUTUMN BUT "INDICA-
TIONS" OF OFFERS MIGHT BE GIVEN SOONER. MTN DEL BELIEVES
THAT BILATERAL REPRESENTATION TO APPROPRIATE OFFICIALS
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L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
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FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 9974
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USMTN

ACTION STR; PASS AGRICULTURE; STR PASS CODEL

DEALING WITH THE MTN IN STOCKHOLM COULD BE USEFUL AT THIS

TIME TO ASSURE THAT U.S. HORTICULTURAL INTERESTS ARE TAKEN INTO ACCOUNT. WE WOULD NOT WANT TO LEARN, AFTER IT IS TOO LATE, THAT U.S. INTERESTS IN THE MTN WERE OVERLOOKED IN THE INTERNAL CONSULTATIONS.

SWEDISH OFFERS ON CANNED GRAPEFRUIT, PEACHES, CHERRIES, AND FRUIT COCKTAIL ARE NOT IMPRESSIVE IN TERMS OF DEPTH OF CUT BUT WE BELIEVE THEY CAN BE IMPROVED. THE QUESTION WHICH WE CANNOT ANSWER AS YET IS BY HOW MUCH MORE SWEDEN IS WILLING TO REDUCE THOSE DUTIES. MTN DEL BELIEVES IT WOULD BE USEFUL TO INDICATE AT OUR NEXT MEETING ONE OR TWO ITEMS FOR WHICH A, SAY, 50 PERCENT REDUCTION MIGHT BE ACCEPTABLE. UNLESS WE SHOW SOME FLEXIBILITY, WE DOUBT THAT SWEDEN WILL GIVE US AN INDICATION OF HOW MUCH FLEXIBILITY IT HAS. U.S. SHOULD ALSO CONSIDER MODIFYING ITS LIMITED OFFICIAL USE

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REQUEST ON CANNED SOUR CHERRIES EITHER TO A REQUEST ON THE ENTIRE TARIFF CATEGORY OR ON ALL CANNED CHERRIES - THIS BECAUSE OF THE TECHNICAL DIFFICULTY CITED BY THE SWEDES IN IDENTIFYING "SOUR" CHERRIES. MOST DIFFICULT PROBLEMS IN HORTICULTURAL SECTOR FACE U.S. REQUESTS ON APPLES AND PEARS, AND THE VARIABLE LEVY ITEMS: DRIED PEAS, AND CANNED AND FROZEN POTATO PRODUCTS. IT MAY BE NECESSARY TO CONCENTRATE PRESSURE ON ONLY THE HIGHEST PRIORITY OF THOSE REQUESTS.

(C) MIXED ORIENTAL VEGETABLES: SWEDEN'S CONCERN ABOUT THESE PRODUCTS SEEMS TO REVOLVE AROUND COMPETITION WITH MEAT. THEREFORE AN OFFER ON EX 20.02.909 (MIXED VEGETABLES WITHOUT MEAT) APPEARS MORE PROBABLE THAN ON EX 1602.506. A DETAILED DESCRIPTION OF THE TYPES OF PRODUCTS INVOLVED IN 1602.506, OR A REFINED REQUEST INCLUDING A LOW MAXIMUM MEAT CONTENT PERCENT, MIGHT ALLAY SWEDISH CONCERNS. NOTE: SWEDES ARE NOT PARTICULARLY WORRIED ABOUT U.S. SALES, BUT FEAR OPENING OF THIS CATEGORY COULD GIVE HONGKONG AND TAIWAN ENTRY INTO THEIR MARKET.

(D) GRAINS AND PRODUCTS: SWEDES VIEW THE US REQUEST ON CORN AND SORGHUM TO BE A NON-STARTER AND WILL NOT NEGOTIATE ON THAT BASIS. SEE PARA 3D REFTEL AND PARA 2 ABOVE FOR REMARKS ON SPECIALTY FLOUR.

(E) FATS AND OILS: SWEDEN APPEARS WILLING TO ACCOMMODATE THE U.S. REQUEST ON PEANUTS AS LONG AS THE PRODUCT IS NOT FOR PROCESSING. MTN DEL NEEDS TO KNOW WHETHER SWEDISH SUGGESTION IS CORRECT (REFTEL PARA 3E) THAT THE PRODUCT OF INTEREST TO US MIGHT ENTER UNDER 2006.700 (ROASTED OR SALTED NUTS) OR, ALTERNATIVELY, WHETHER A SEPARATE TARIFF CATEGORY UNDER 12.01.150 SHOULD BE REQUESTED FOR EDIBLE PEANUTS. OTHER U.S. REQUESTS IN THIS SECTOR DO NOT LOOK

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PROMISING. AGAIN, UNLESS A TECHNIQUE CAN BE FOUND TO GET AROUND THE VARIABLE LEVIES, THE U.S. WILL PROBABLY HAVE TO FOCUS ITS ATTENTION ON A FEW OF THE MOST IMPORTANT ITEMS, OR TRY TO SECURE SOME TYPE OF QUANTITATIVE COMMITMENTS. THE REQUEST ON TEXTURED VEGETABLE PROTEIN IS ALSO PROBLEMATIC BECAUSE OF FEAR THAT MEAT ANALOGUES WILL COMPETE WITH DOMESTIC MEAT PRODUCTION. A SOMEWHAT LESS AMBITIOUS REQUEST ON THE ENTIRE TARIFF LINE, RATHER THAN AN EX-OUT FOR MEAT ANALOGUES, ETC., MIGHT BE EASIER FOR SWEDEN TO ACCOMMODATE SINCE THE REDUCTION ON MEAT ANALOGUES WOULD THEN BE LESS VISIBLE.

4. DRAFTED BY DRAZEK. MCDONALD

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